

shortage of coal as well as of shipping space.

There is not a single country on the Continent which could do without its vital supplies from Germany. One glance at the display windows of the large shops in the capitals of the neutral or friendly countries suffices to show what Germany is still exporting in the way of high-quality consumer goods, although the home demand must often remain unsatisfied. The German consumer finds it by no means easy to forego such conveniences of a high standard of living, but he regards this as one of the sacrifices to be made in war time.

Germany is aware of the fact that interstate commerce in war time must be based on give and take, on reciprocity. Without the import of essential raw materials or valuable machinery and consumer goods from Germany the economic structure of most of the countries of the Continent could not be maintained. An interruption of the supplies from Germany and the cessation of the rich marketing possibilities in Germany would plunge these countries into a serious economic crisis with growing unemployment. By maintaining its high standard, Germany's foreign trade has become the economic backbone of a Continent at war.

THE KAISER OF AMERICA

DURING the Great War it was Henry Ford who—probably unintentionally—became a legendary figure; in this war a similar myth is being built up around Henry Kaiser. Like Ford, Kaiser is already regarded as being the creator of modern war production, and, like Ford, he is expected to introduce a golden postwar decade and to exploit the gigantic equipment of the war potential for peaceful purposes after the war. The purpose of this propaganda for Kaiser is, above all, to emphasize that it is not the anonymous machinery of the state which has made possible the tremendous war production but, as has always been the case in America, private enterprise, for which new record achievements are being claimed, particularly since the outbreak of war.

It is, however, rather questionable whether this private enterprise is being done a service by limelighting Kaiser of all people. For Kaiser's undertakings lack the very feature characterizing the nature of private enterprise, a feature which Ford possessed to a marked extent: personal risk, the investment of private capital. Kaiser is the representative of an economic system which cannot possibly exist without the state as the supporter and initiator of the enterprise. Kaiser has always done business with the state only, received his funds from the state, and risen to his present position by means of the state. Without the state he would be nothing, for he is not an *entrepreneur* in the true sense but only a "contractor."

Hero worship is embedded in the soul of every nation. In time of war especially, a nation creates legendary figures. The figures surrounded by these legends always throw a revealing light on the mentality of the nation that has chosen them.

The story of his rise runs true to the demands of American legend. Born the son of a poor cobbler in New York, Kaiser's first successful venture was in the photographic business. Soon after the turn of the century, however, he went to the American Northwest, and here he turned into the typical Westerner in the unfettered scope of his thoughts and actions. He started a sand and gravel business, and by 1913 he was working—on his own and with a small capital—at his first public contract, the surfacing of a highway. From then on he made his living by public contracts, profiting from his contract prices and building up his business as a road contractor. In the first few years after the Great War, he was able to merge fifteen sand and gravel pits into his business and combined his various enterprises under the name of "Henry J. Kaiser Co., Ltd."

After handling highway contracts in all parts of the country during the twenties, he succeeded in his first really big deal in connection with the construction of Boulder Dam. The contracts for this enterprise were of such a size that neither Kaiser nor any other single contractor on the West Coast could have undertaken to fill them. So Kaiser arranged the merger of six firms

into a syndicate, and these "Six Companies" then built Boulder Dam by the employment of revolutionary building methods.

WITH PUBLIC FUNDS

After a period of successful activities the capital of this syndicate began to accumulate and it became necessary to invest it; the contractor firms soon turned into producer firms. Building-material companies were bought, oil refineries built, and in 1939 Kaiser made a scoop with the erection of a large cement factory. Kaiser himself admits that, at that time, he knew nothing about the cement business; all he knew was that the cement market of the West Coast was controlled by a combine demanding exorbitant prices. Hence, when the Government invited tenders for large quantities of cement for Shasta Dam, he founded—on paper—the "Permanent Corporation" and underbid the combine on this eleven-million-dollar contract by 22 cents per barrel. The Government, having made sure that Kaiser would be able to supply the cement at the price quoted once the factory was built, supported its construction—which cost ten million dollars—by advancing seven million dollars through the Bank of America. The new cement works have an annual capacity of five million barrels and now show more than a million dollars profit every year. This was Kaiser's first industrial enterprise and the beginning of his rapid rise to the position of leading industrialist in America's war production.

In 1938 a group among the "Six Companies" considered the building of freighters. A shipbuilding firm was taken in, and in 1939 the new concern was awarded its first contract from the US Maritime Commission for five freighters. When the British wanted to have sixty emergency freighters built in the United States in 1940, they were forced to turn to Kaiser, as the existing shipbuilding works were no longer able to accept a contract of that size. Kaiser accepted the contract for 120 million dollars and founded his own shipbuilding works: the capital was supplied by the British. Later, when the US Government announced its program for the mass construction of emergency freighters, Kaiser was given the lion's share. At the same time he built one shipyard after another for government contract to deal with the gigantic orders for ships, and today approximately a quarter of the entire emergency freighter program is in his hands. To this was added the construction of airplane carriers, landing vessels, frigates, and

seaplanes, which are partially assembled from mass-produced parts that make it possible for them to be delivered within a very short time. On the other hand, this system of construction inevitably entails certain technical deficiencies. Nevertheless, since the middle of 1943 the shipbuilding orders of the Kaiser group have totaled more than three billion dollars.

With the idea of finding a profitable use for the huge cement ovens of the Permanent Corporation in times of declining demand for cement, Kaiser planned the construction of a magnesium factory even before the cement factory was completed. This represented his first invasion into the field of raw-material production. The necessary capital was again supplied by the state, this time by the Reconstruction Finance Corporation, which placed at his disposal an initial sum of 3.5 million dollars and finally more than 20 million dollars, accepting as a security the income from two of his shipyards. So far, however, this enterprise has not been very successful, its production costs being too high. At present, the plant is only working at two-thirds capacity; but on the whole this does not cause any financial difficulties, as the large profits from the shipyards are enough to cover all obligations.

THE PUBLIC BEARS THE LOSS

Another of Kaiser's enterprises is also working at a loss: the steel works at Fontana. When the steel shortage became more and more acute in 1941, Kaiser made use of all his connections and in 1942 actually managed to obtain the 150-million-dollar contract for the construction of a steel plant at Fontana in California. This plant is intended to form the center of a planned new industrial region in the West, but it is founded on rather slim iron-ore reserves. As the necessary coal has also to be brought from afar at high freight rates and, moreover, the interest and amortization costs for the growing credits—128 million dollars so far—are higher than in the case of Kaiser's competitors, the plant is too expensive in its production in a normal economy. Kaiser has admitted that this enterprise can only flourish as long as his shipyards are busy and the war continues. Like many other industrialists, Kaiser is hoping that after the war the RFC will write off the capital loaned as war losses or at least demand only a fraction to be repaid; consequently he believes that he will be able to maintain the profitability of the plant after the neces-

sary reduction in capital. At the moment this enterprise does not represent a very large risk, as it is also guaranteed by the profits of the shipyards, most of which profits would otherwise go to the Government in the form of taxes.

The Kaiser group has successfully penetrated many other spheres of economics. It has erected and is running large airplane factories; has constructed oil refineries in Curaçao, on the Persian Gulf, and in subarctic Canada; has laid a 600-mile pipe line from the Canadian oil fields of Fort Norman to Alaska, where it has also erected refineries; and it is working at other development projects for the US Army in Alaska totaling 76 million dollars. The "Six Companies" are now constructing airfields, barracks, dams, fortifications, etc., all over the United States and are the largest group of contractors for the construction of bases on the Pacific islands from Hawaii to Samoa.

Kaiser is regarded as the personification of all that is dynamic in the American. He is distinguished by restlessness, a constant

urge to change things, ignoring any restraint in carrying out his ideas, skill and ruthlessness in mobilizing the governmental bureaucracy. His friends even pushed him for the post of Vice-President of the USA, and Roosevelt considered but rejected his candidacy. According to reports appearing in the American press, the war business is already a thing of the past in Kaiser's mind and he is now occupied with plans for the post-war period. In this he is probably making a conscious attempt to imitate his predecessor of the Great War, Henry Ford.

But what differences there are between Ford and Kaiser! While Ford represented the type of the independent *entrepreneur* who acted in everything he did on his own responsibility, his own initiative and, above all, at his own risk, Kaiser lacks every one of these characteristics. Even the American press has stated that Kaiser had only a single customer during the last twelve years: the government; and that it was a matter of doubt whether he would be able to compete as an industrialist in normal times of peace. —K.

THE MARCH OF WAR

THE HONAN AND HUNAN CAMPAIGNS

(April 18 to July 18, 1944)

THE Japanese campaigns in China during the last three months represent the most extensive fighting between the armies of Nippon and those of Chungking-China since 1938. The position of the Chungking war zones, from north to south, before the beginning of the offensive give an approximate idea of the course of the front:

2nd War Zone—western Shansi, northern Shensi
8th War Zone—southern Shensi, Northwest China
1st War Zone—northern Honan, southern Hopeh
5th War Zone—parts of Honan, Anhwei, Hupeh
6th War Zone—southern Hupeh, western Honan
3rd War Zone—parts of Chekiang, Fukien, Kiangsi
9th War Zone—parts of Hunan and Kiangsi
7th War Zone—Kwantung

The majority of the fighting of the last three months took place in the areas of the First (Honan campaign) and the Sixth and Ninth (Hunan campaign) War Zones. (Honan means "south of the River," i.e., the Yellow River; Hunan means "south of the Lake," i.e., south of the Tungting Lake.)

THE TWO CAMPAIGNS

The Honan campaign consisted of three thrusts. The first one started on April 18 from the Peking-Hankow Railway north of the Yellow River and from Kaifeng on the Lunghai Railway. After their junction, these two Japanese columns advanced southward along the railway deep into Honan Province. The second thrust began on May 1 from Sinyang, some 160 kilometers north of Hankow, in a northward direction. Both thrusts met on May 9 near the station of Chuchshan on the Peking-Hankow Railway. The third thrust was made toward the west along the Lunghai Railway as far as the great bend of the Yellow River. It culminated in the capture of Loyang.

However, the Honan campaign was not limited to these three thrusts along the railways. A large part of Honan in the angle formed by the Peking-Hankow and the Lunghai Railways was also occupied: the